Inland Revenue

Notes on SELF-EMPLOYMENT

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HELP SHEETS AND LEAFLETS

Help Sheets and leaflets giving more detailed information about particular tax rules for self-employment are available from the Orderline.

- *SA/BK3: Self Assessment. A guide to keeping records for the self-employed*
- *IR220: More than one business*
- *IR222: How to calculate your taxable profits*
- *IR223: Rent a Room for traders*
- *IR224: Farmers and market gardeners*
- *IR227: Losses*
- *IR229: Information from your accounts*
- *IR231: Doctors' expenses*
- *IR232: Farm stock valuation*
- *IR233: The 'true and fair view' for professions and the 'adjustment' on withdrawal of cash basis*

Filling in the Self-employment Pages

You must fill in the Self-employment Pages if, at any time during the 1999-2000 tax year, you carried on a trade, profession or vocation as a self-employed person in the UK or abroad. If you were a Name at Lloyd's, fill in the Lloyd's Underwriters Pages instead. If you were a member of a partnership, fill in the Partnership Pages instead.

Get the material you need to complete the Self-employment Pages:

- your business accounts covering your basis period for the 1999-2000 tax year (basis period is explained on page SEN3)
- your books and records, if you do not have accounts.

You should have records of all your business transactions. You must keep these until at least 31 January 2006 in case your Inland Revenue office asks to see them. Booklet *SA/BK3* has more information.

If you have been in business for some years and your accounting date is the same as last year's, your basis period will be the accounting period ending in the year to 5 April 2000. You should use the information from this accounting period to complete the Self-employment Pages.

If you have just started in business, you can choose any convenient date to draw up your accounts but you may find using 5 April makes your calculations easier.

You may need to complete more than one set of Self-employment Pages if **either** of the following circumstances apply:

- you do not have a single set of accounts for the period that is your basis period for 1999-2000. This may happen if your business has recently commenced, ceased or you have changed accounting date. See the notes on pages SEN2 and SEN3 which explain how to work out your basis period and the accounts information you must provide, **or**
- you had more than one business - you must complete separate Self-employment Pages for each. Ask the Orderline for *Help Sheet IR220: More than one business*. It includes a working sheet to deal with the special rules for Class 4 National Insurance Contributions in this situation.

If you have a single set of accounts which covers more than one business, you should transfer the figures to one set of Self-employment Pages. Then deduct the income and disallow the expenses relating to any business other than your main business, and include it in a separate set of Self-employment Pages for each of your other businesses.

You should only include in the Self-employment Pages details relating to that self-employment. Other income should be entered in the appropriate parts of your Tax Return. For example, enter:

- partnership income in the Partnership Pages but see the note on page SEN3 about changing between self-employment and partnership
- income earned as an employee or company director in the Employment Pages
- dividends from companies in boxes 10.15 to 10.17 on page 3 of your Tax Return.

If you are unsure whether your activities amount to a trade, profession or vocation, ask your Inland Revenue office or tax adviser for advice.

You should contact your Inland Revenue office (or the Helpline when the office is closed) for advice about filling in your Tax Return if you were a construction worker and the person (or the business) for whom you worked told you that:

- you were no longer to be treated as self-employed for that particular contract, **and**
- your pay since then has suffered PAYE tax deductions.

continued over

Read the notes on page SEN10 before filling in the Self-employment Pages if you are an author or artist, **or** a farmer or market gardener, **or** a foster carer or adult carer.

If your trade involves provision of furnished accommodation in your only or main home, Rent a Room may apply. Ask the Orderline for *Help Sheet IR223: Rent a Room for traders.*

If you have trade debts from overseas transactions which cannot be paid or brought to the UK because of exchange control restrictions or a shortage of foreign currency in the overseas country, ask your Inland Revenue office or tax adviser about Extra Statutory Concession B38.

Before you start

You pay tax for 1999-2000 on all your business profits (see page SEN8 if you made a loss) for the basis period.

Your business profit for each business is the difference between:

- your turnover, other business receipts, balancing charges and the value of goods taken for personal use, **and**
- allowable business expenses (including capital allowances).

The Self-employment Pages will help you work out your taxable business profit and will provide me with the information I need to process your Tax Return.

For each business you must:

- provide business details in boxes 3.1 to 3.10
- give details of income and expenses in boxes 3.11 to 3.13 if your annual turnover is below £15,000, or in boxes 3.14 to 3.60 if your annual turnover is £15,000 or more. Complete boxes 3.61 to 3.70 if capital allowances and balancing charges are included in boxes 3.12 and 3.11 or 3.57 and 3.55.
- work out your taxable profit on Page SE3, using boxes 3.71 to 3.88
- fill in boxes 3.89 to 3.92, and box 3.120 as appropriate
- if you have a balance sheet, provide information about your business assets or liabilities in boxes 3.93 to 3.109.

Work through the following steps for each business:

Step 1 Work out the basis period for your business using the notes on page SEN3, or *Help Sheet IR222: How to calculate your taxable profits*.

Step 2 Work out how many 'accounts' fall within that basis period.

Step 3 Check whether you provided details of any of these 'accounts' in boxes 3.11 to 3.70 and boxes 3.93 to 3.109 of last year's Tax Return. If so, you do not need to provide the same information again. You only need to tick box 3.5A if details relating to **all** these accounts have already been included in last year's Tax Return.

Step 4 **If you have only one set of accounts for the basis period**, fill in one set of Self-employment Pages for the whole of your basis period unless you have already provided this information in last year's Tax Return. You must always complete boxes 3.71 to 3.88 on Page SE3, as appropriate, to arrive at your taxable profit for 1999-2000.

OR

If you have more than one set of accounts for the basis period, complete boxes 3.1 to 3.70 and 3.93 to 3.109, as appropriate, on separate Self-employment Pages for each set of accounts. You do not need to repeat any information for any period of account which you provided in last year's Tax Return. Then fill in boxes 3.71 to 3.92, and box 3.120 as appropriate, on the Self-employment Pages for the most recent set of accounts to arrive at your taxable profit for 1999-2000.

The Notes will help you. They use some technical terms such as 'trade', 'basis period' and so on. They explain these terms as fully as possible, but they are not a comprehensive guide for all cases. There is also a glossary of terms on page SEN11.

● Providing details of income and expenses

For most businesses, the information on the Self-employment Pages will enable a full and fair picture of your business to be presented. If there are any points needing further explanation, provide details in the 'Additional information' box on Page SE4. You do not need to send me your accounts.

In some larger or more complex businesses additional information given on the Self-employment Pages may not be enough to provide a full and fair picture of your business. You may consider the submission of further information, including perhaps accounts or supporting calculations, necessary. This may be the case where:

- a large business has a substantial turnover, **or**
- a business is complex (perhaps because it is a highly specialised trade), **or**
- accounts or computations are required for a proper understanding of the figures.

But you must also complete Page SE2 if your annual turnover is £15,000 or more, and Page SE4 if you have a balance sheet.

If you do not have accounts

Even if you do not have accounts prepared for your business each year, your taxable profit should still be worked out using generally accepted accountancy principles. These Notes will help. For further advice on how your profits are taxable, what to include in your turnover and what expenses are allowable for tax, ask the Orderline for *Help Sheet IR222: How to calculate your taxable profits.*

You will come across the terms '**accounting period**' and '**accounting date**' in both these Notes and the Help Sheets. If you do not have accounts prepared for your business you should read:

- '**accounting period**' to mean the period for which you provide details of your business income and expenses, **and**
- '**accounting date**' to mean the date on which that period ends.

If you do have accounts

Accounts are prepared for a variety of reasons and in a variety of ways and it may not be immediately obvious where in your Self-employment Pages you should enter some of your figures. *Help Sheet IR229: Information from your accounts* gives practical help on filling in the Self-employment Pages, including some worked examples.

In some situations you may need to combine or apportion your figures to fit the standard format. There may be more than one acceptable way of doing this. Whichever method you adopt, you should be consistent from one year to the next. If you want to explain any figures in more detail, do so in the 'Additional information' box on Page SE4 of the Self-employment Pages.

Make sure that you transfer all the entries in your accounts, and that you include them only once. Do not bring in any amounts which are not included in your accounts unless they are needed to calculate your taxable profit or were excluded in error from your accounts. Include any such amounts in box 3.87. Explain why the entry is necessary in the 'Additional information' box on Page SE4.

Changing between self-employment and partnership

Normally you will need to complete the Partnership Pages if you were a partner during the year ended 5 April 2000 and the Self-employment Pages if you were self-employed during that period. Where you carried on the same business during the year, but did so as a sole trader for part of the year and in partnership for part, work through the following steps.

Step 1 If your basis period covers a period during which you carried on the business exclusively as a sole trader, you should complete the Self-employment Pages in the normal way. Do **not** complete the Partnership Pages.

Step 2 If your basis period includes a period during which you carried on the business in partnership, complete boxes 4.1 to 4.25 in the **Partnership Pages** to arrive at your taxable profit or allowable loss from the business for this year.

Step 3 Complete boxes 3.11 to 3.70 and 3.93 to 3.109 in the **Self-employment Pages** for any accounting periods which cover part of your basis period and during which you carried on the business exclusively as a sole trader. If you included this information in last year's Tax Return, you do not need to repeat it this year. (Do not treat the date of change from sole trader to partnership, or partnership to sole trader, as requiring an entry in either box 3.9 or box 3.10 in the Self-employment Pages.) But if you have completed boxes 4.1 to 4.25 on the Partnership Pages, leave boxes 3.71 to 3.91 blank and tick box 3.5A.

- Provisional figures

I would normally expect you to complete the income and expenses section of your Self-employment Pages with the final and correct figures of income and expenses. If despite your best efforts you are unable to do so, please read the notes on page 27 of your Tax Return Guide which explain the exceptional circumstances in which Returns containing provisional figures may be accepted.

If it is actually impossible to provide final or even provisional accounts information from which your taxable profit is to be calculated before the latest date for sending your Tax Return, you should provide an estimate of your taxable profit in box 3.88 and tick box 3.72A. I would expect there to be very few such circumstances. The one common circumstance would be where, in the case of a newly commenced business, the first accounting period does not end until close to, or after, the statutory filing date. By 'close to' I mean within 3 months of the filing date.

If you have estimated your taxable profit or have included one or more provisional figures tick box 22.3 on page 8 of your Tax Return, and explain in the 'Additional information' box why you cannot provide final figures. Give a date by which you expect to do so.

- Other estimates (including valuations)

In some situations you may need to provide an estimated figure or valuation that you do not intend to amend at a later date. If so, read the notes on page 27 of your Tax Return Guide.

Business details

- Your basis period for 1999-2000

You pay tax for 1999-2000 according to the profits, or losses, for your basis period.

After the first two or three years in business your basis period will be the 12 month period up to the date you choose as your annual accounting date. For example, if you have been in business for a number of years and your annual accounting date is 31 December your basis period for 1999-2000 is the 12 months from 1 January 1999 to 31 December 1999.

Ask the Orderline for *Help Sheet IR222: How to calculate your taxable profits* if:

- your business started after 5 April 1996
- your accounting date is not the same as used in 1998-99
- you did not have an accounting date in 1999-2000
- your business ceased in 1999-2000.

boxes 3.1 to 3.3 Make sure you complete these boxes for each set of Self-employment Pages you complete.

boxes 3.4 and 3.5 Enter in boxes 3.4 and 3.5 the details of the period to which the information in boxes 3.11 to 3.13, or 3.14 to 3.60 and, where you have a balance sheet, 3.93 to 3.109, relate. Make sure you have read the section headed 'Your basis period for 1999-2000' above before continuing. Work out your basis period to decide the periods of account for which you need to provide details.

box 3.5A Tick box 3.5A if you are not required to provide details from any of your accounts this year. Leave boxes 3.11 to 3.70 and 3.93 to 3.109 blank but complete boxes 3.71 to 3.92, and box 3.120.

box 3.6 Tick box 3.6 if details in boxes 3.1 or 3.3 have changed since your last Tax Return.

box 3.7 Tick box 3.7 if there is a gap between the end of your previous accounting period and the beginning of this one. Explain why in the 'Additional information' box on Page SE1.

boxes 3.8A and 3.8B Tick box 3.8A if your accounting date has changed and this is a permanent change which you wish to count for tax. Tick box 3.8B (as well as box 3.8A) if this is the second or further change in the accounting date since 5 April 1994 (or since 5 April 1996 if the business commenced before 6 April 1994) and explain why this change has been made in the 'Additional information' box. *Help Sheet IR222: How to calculate your taxable profits*, available from the Orderline, has more information.

box 3.9 If your business started after 5 April 1996, enter the start date. If your accounting date has changed since then, ask the Orderline for *Help Sheet IR222: How to calculate your taxable profits.*

box 3.10 If you sold or closed down your business between 6 April 1999 and 5 April 2000, enter the date it ceased in box 3.10. If this is not the same as the date in box 3.5 you must complete another set of Self-employment Pages.

Income and expenses - annual turnover below £15,000

If your annual turnover (excluding any balancing charges) is below £15,000 for a full year, you may fill in the special, shortened income and expenses section on Page SE1 (boxes 3.11 to 3.13) instead of boxes 3.14 to 3.60 on Page SE2.

But you must fill in one section or the other, and complete boxes 3.62 to 3.70 if you have any balancing charges, and boxes 3.61 to 3.69 if you are claiming capital allowances.

box 3.11 Enter your turnover and any other taxable business receipts in box 3.11. You will also need to include the normal selling price of all goods taken out of the business for your personal use, or for your family or friends, *minus* any sum that you paid into your business for the goods you took. This is because any sum paid into the business should already be included in the turnover figure, like other sales. Include any balancing charges (from box 3.70).

box 3.12 Enter your **allowable** business expenses in box 3.12. Make sure you do not include in your expenses any items that are not allowable against tax. (The Table on page SEN5 will help you decide.) Include any capital allowances (from box 3.69).

Income and expenses - annual turnover of £15,000 or more

If your annual turnover is £15,000 or more, you must fill in boxes 3.14 to 3.60 on Page SE2.

- Value Added Tax

boxes 3.14 and 3.15 If you are **not** registered for VAT, your sales figure will not include any VAT. Expenses in boxes 3.17 to 3.51 should include VAT. There is no need to tick either box 3.14 or 3.15.

If you are registered for the VAT Agricultural Flat Rate Scheme, include any flat rate additions charged to customers in your sales figures. Expenses should include VAT. There is no need to tick either box 3.14 or box 3.15.

If you **are** registered for VAT, you may enter details of your business income and allowable expenses either all net of VAT or all inclusive of VAT. Where you adopt the latter approach, then either your net payment to Customs and Excise should be included as an expense in box 3.50, or any net repayment you receive from Customs and Excise should be included as a taxable receipt in the entry in box 3.37. Tick either box 3.14 or box 3.15 to show whether entries in boxes 3.16 to 3.51 include or exclude VAT.

If you registered for VAT during the period, your expenses up to that date should include VAT regardless of whether later sales and expenses are recorded VAT inclusive or exclusive. Tick box 3.14 and include the following details in the 'Additional information' box on Page SE4:

- a note that you are registered for VAT during the period
- the date of the registration
- whether sales and expenses from the registration date are VAT inclusive or exclusive.

Similar action is required if your VAT registration was cancelled during the period, except that the details to appear in the 'Additional information' box should refer to the date of deregistration and whether sales and expenses before that date are VAT inclusive or exclusive. Expenses from the deregistration date should include VAT.

If you are registered for VAT and the goods you supply are zero rated (so that your sales figure does not include any VAT), tick either box 3.14 or box 3.15 to show whether entries in boxes 3.17 to 3.51 include or exclude VAT.

If you are registered for VAT, but treated by Customs and Excise as partly exempt, for the purposes of calculating your taxable profits, business expenditure includes any input tax that is not claimable. Where you complete boxes 3.16 to 3.51 on a VAT inclusive basis, entering your net payment to, or net repayment from, Customs and Excise in boxes 3.50 and 3.37 respectively, will reflect this. However, if you complete the boxes on a VAT exclusive basis please ensure that your expenses figures include any relevant input tax not claimed for VAT purposes.

The calculation of the net payment to (or repayment from) Customs and Excise may have included VAT on capital items you purchased during the year; for example, on assets or rights that are of lasting use to the business and which you do not buy or sell as part of your ordinary trading operations. These might include business premises, plant, machinery, vehicles and trade rights. If you enter details of your income and expenses inclusive of VAT on the Self-employment Pages, make a note of the VAT on those capital items in the 'Additional information' box on Page SE4. Add that amount to the net payment to Customs and Excise which you include as an expense in box 3.50, or deduct it from the net repayment you include as a taxable receipt in box 3.37.

If you are in any doubt about the correct treatment of VAT on the Self-employment Pages, ask your Inland Revenue office or tax adviser. Contact your local Customs and Excise office for more general guidance about VAT issues.

- Sales/business income (turnover)

box 3.16 Enter the amount of your turnover in box 3.16. If it includes income from which tax has been deducted (excluding deductions made by contractors on account of tax) enter in box 3.120 the total tax deducted between 6 April 1999 and 5 April 2000.

- Business expenses

boxes 3.17 to 3.50 You should include all your business expenses in boxes 3.33 to 3.35 and 3.38 to 3.50.

Some of the amounts you enter in boxes 3.33 to 3.50 may not be allowable for tax purposes. Enter any disallowable amounts in boxes 3.17 to 3.32 and the total of these boxes in box 3.53.

Disallowable amounts may be expenses that are not allowable at all for tax (such as entertainment expenses, depreciation of fixed assets, or own wages/drawings) or the disallowable part of expenses (such as motor expenses, if your vehicle is used for private as well as business mileage).

Example 1
Your total motor expenses included in box 3.42 were £3,000 and one-third of your mileage is private. You can only claim two-thirds of the cost against tax, that is £2,000. Enter the private use proportion, £1,000, in box 3.24.

Some small businesses can calculate car expenses using a fixed rate per business mile rather than actual costs. Details and conditions are in *Help Sheet IR222: How to calculate your taxable profits*. If any of the amounts in boxes 3.33 to 3.35 and 3.38 to 3.50 are recoverable under an insurance, include them in the disallowable expenses to be entered in boxes 3.17 to 3.32 unless they are already in box 3.16 or box 3.37.

Use the Table on page SEN5. It provides further information on how to fill in the boxes.

continued on page SEN6

Table of business expenses

This table will help you decide what business expenses to include in boxes 3.33 to 3.50. It also gives some examples of expenses which cannot be claimed in working out business profits for tax purposes.

	■ *Disallowable expenses*	■ *Total expenses*
• **Cost of sales**	**box 3.17** Fuel expenses attributable to non-business use of vehicles	**box 3.33** If the business involves the resale or consumption of raw materials, enter here the cost of the goods used; that is, purchases plus opening stock/work-in-progress *minus* closing stock/ work-in-progress. So, for example, **subcontractors in the construction industry** should include here the cost of any materials supplied. And **taxi drivers, minicab drivers etc. and those in the road haulage industry** should enter fuel expenditure in this box rather than elsewhere. Businesses providing services commonly adjust their business profits to reflect work-in-progress at the start and end of the period of account. If an adjustment of this sort is appropriate, make it here; otherwise leave the box blank. If the figure is negative, enter it in brackets.
• **Construction industry subcontractor costs**	**box 3.18** Any payments made relating to non-business work.	**box 3.34** Include all payments to subcontractors in the construction industry. Enter the amount before deduction of tax if any payments have been made to uncertificated subcontractors.
• **Other direct costs**	**box 3.19** Depreciation of fixed plant.	**box 3.35** Expenses deducted to arrive at gross profit, for example, discounts allowed, commissions payable, carriage and, in manufacturing businesses, the costs of producing goods sold such as direct labour costs, depreciation of fixed plant, machine hire, small tools and consumables. If the business provides services, it may incur rechargeable expenses, which are deducted to arrive at a figure of gross profit.
• **Employee costs**	**box 3.20** Your own wages or salary and your drawings from your business. Your own pension payments and other benefits. Your own National Insurance Contributions	**box 3.38** For example, salaries, wages, bonuses, pensions, benefits, employer's NIC etc. for permanent, temporary and casual employees, and other staff-related costs such as canteen expenses and recruitment agency fees etc. Any subcontract labour costs, including locum fees, not included elsewhere should be included here. Include here all your own employment costs, for example, your own wages, drawings or National Insurance Contributions.
• **Premises costs**	**box 3.21** Non-business part of premises costs used partly for business use. Costs of acquiring premises.	**box 3.39** For example, rent, business rates, water rates, light, heat, power, property insurance, security and other similar expenses. If accounts contain an amount for 'use of home', include that figure here.
• **Repairs**	**box 3.22** Non-business part of repairs, renewals and general maintenance of premises and machinery used partly for business. Costs of alteration, improvements or replacement to premises and machinery.	**box 3.40** For example, repairs and renewals, general maintenance of business premises and machinery.
• **General administrative expenses**	**box 3.23** Non-business part of costs used partly for business, payments to political parties. Most payments to clubs, charities or churches.	**box 3.41** For example, telephone, facsimile, postage, stationery and printing costs, courier services, together with general office expenses, the costs of trade or professional journals and subscriptions etc., costs of insurance not included elsewhere and other similar recurring costs which arise in running the business.
• **Motor expenses**	**box 3.24** Non-business motoring. Travel between home and business. Costs of buying vehicles (but capital allowances can be claimed). Parking and other fines.	**box 3.42** For example, insurance, servicing, repairs, Vehicle Licence, petrol or diesel, hire and leasing charges, parking charges, AA/RAC membership.
• **Travel and subsistence**	**box 3.25** Meals (except the reasonable cost of meals on overnight business trips).	**box 3.43** For example, all travel costs other than those included in motor expenses, such as rail, air and taxi fares, together with hotel accommodation costs and subsistence or similar costs.
• **Advertising, promotion and entertainment**	**box 3.26** All entertaining and hospitality, except the costs of entertaining staff, and gifts (not food or drink) of up to £10 per person per year which advertise your business.	**box 3.44** For example, the ordinary day to day costs of advertising and promoting the business goods or services, such as newspaper advertisements, mailshots and the distribution of free samples of the goods dealt in. Entertainment.
• **Legal and professional costs**	**box 3.27** Costs of settling tax disputes, legal costs of buying fixed assets (these are treated as part of the cost of the fixed asset). Costs and fines or penalties for breaking the law.	**box 3.45** For example, accountant's, solicitor's, surveyor's, architect's, stocktaker's and other similar costs, together with professional indemnity insurance premiums and the like.
• **Bad debts**	**box 3.28** General bad debts reserve. Debts that were not taxed when they arose, for example, because they relate to a sale of a fixed asset.	**box 3.46** The amount of money included in turnover but remaining unpaid at the accounting date that you consider will never be recovered and have decided to write off this year. If, unexpectedly, you do recover the amount in a later year, make sure you include it in box 3.37 in that later year's Tax Return.
• **Interest**	**box 3.29** Repayment of the loan or overdraft.	**box 3.47** Interest on bank and other loans (including overdrafts).
• **Other finance charges**	**box 3.30** Repayment of the loan or overdraft.	**box 3.48** For example, bank charges, credit card charges, hire purchase interest, and leasing payments, together with other similar costs not included elsewhere.
• **Depreciation and loss/(profit) on sale**	**box 3.31** Generally, depreciation and losses on assets are not allowable for tax, and profits on assets are not taxable receipts. Any figure in box 3.49 should be cancelled by putting the same figure in box 3.31. However, to the extent that any of these items are attributable to assets held under finance leases, a different treatment may be appropriate. If you are in any doubt about the correct treatment, ask your Inland Revenue office or tax adviser.	**box 3.49** Add together depreciation and losses on sales of assets, and deduct profits on sales of assets that are included in your accounts, and enter the resulting figure in the box. Where the profit on disposal of an asset exceeds the total of any losses on disposal and depreciation added together, show such a figure in brackets. A figure in brackets is to be deducted when you add up your total expenses. If you sold assets at a profit, you should consider whether you need to enter a gain in the Capital Gains Pages.
• **Other expenses**	**box 3.32** The non-business part of expenses in box 3.50. Ordinary, everyday clothing even if bought specially for business use.	**box 3.50** Add up all the expenses not included elsewhere and enter the total figure.

- Other income/profits

box 3.37 Enter in box 3.37 any business income (except Business Start-up Allowance, sometimes known as Enterprise Allowance, which goes in box 3.87) you did not include as turnover in box 3.16. Examples might include rental income, interest from a business bank or building society account and wayleaves. If you are including this income in a different place on your Tax Return, make sure you deduct it at box 3.58. For example, bank interest included on page 3 of your Tax Return should not be included in the net business profit or loss entered in box 3.60.

- Additional information

Use the 'Additional information' boxes on Pages SE1 and SE4 if you want to explain any of your figures in more detail. For example:

- particulars of any significant or unusual items (either income or expenditure) included in your figures, **or**
- details of receipts or expenditure connected with your business which for any reason are not included in your figures, **or**
- an explanation of any tax adjustment to your net profit where the reason is not apparent from these figures, **or**
- an explanation of any items not included in your accounts information, but which affect your taxable profits, such as spreading of literary profits
- details of any articles gifted under the Millennium Gift Aid Scheme, and to which charities. Relief is automatically given in the computation of trading profits by treating such gifts as disposals of stock and plant at nil other than the usual market value.

This may avoid unnecessary enquiries being made. Further help is available in *Help Sheet IR229: Information from your accounts.*

Tax adjustments to net profit or loss

See the section on authors and artists on page SEN10 if you claim 'backwards' or 'forwards spreading' of profits.

box 3.53 Enter in box 3.53 the total of disallowable expenses in boxes 3.17 to 3.32.

box 3.54 You should also make adjustments for goods taken out of the business for your personal use or for your family or friends. Enter in box 3.54 the normal selling price of all goods taken out for such use, *minus* any sum you paid into your business for the goods and which you have already included in your turnover in box 3.16.

box 3.58 Use box 3.58 for any adjustments (deduct from a profit or add to a loss) for any amounts you took into account in arriving at your net profit or loss, but which are either not taxable receipts or are not taxable as profits from your trade or profession. Any taxable income in box 3.58 must be included in the appropriate part of your Tax Return.

Foreign tax

If your business income includes amounts that have been taxed abroad, you may be able to claim a credit against your UK tax bill. To do so, you should fill in the Foreign Pages. (Ask the Orderline for a copy if you do not have one). This will usually be the most beneficial way to claim relief for the foreign tax paid.

However, if you do not wish to claim tax credit relief, you may instead deduct the foreign tax in working out your taxable profit or loss. Enter in box 3.58 the amount of foreign tax paid on the foreign income included in the Self-employment Pages. Remember to exclude this tax from the Foreign Pages.

If you are claiming overlap relief this year for an amount on which you claimed tax credit relief in an earlier year, you will need to ask the Orderline for *Help Sheet IR260: Overlap* if you want to calculate your tax. Otherwise, enter details of the amount claimed in the 'Additional information' box.

Capital allowances and balancing charges

boxes 3.61 to 3.70 In working out your taxable profits you must not deduct:

- the cost of buying, altering or improving fixed assets, **or**
- depreciation or any losses that arise when you sell them.

Instead, you can claim tax allowances called capital allowances. These are deducted in working out your taxable profits and should be included in box 3.57 (or box 3.12). An adjustment, known as a balancing charge, may arise when you sell an item, give it away or stop using it in your business. Balancing charges are added to your taxable profits and should be included in box 3.55 (or box 3.11).

You can claim capital allowances for the cost of:

- plant and machinery such as vehicles, tools, ladders, computers and business furniture which belongs to you. Do not claim for the things it is your trade to buy and sell - these should be claimed as business expenses
- agricultural buildings, industrial buildings and certain other buildings
- patents, certain specialist types of 'know-how', scientific research, mineral extraction and dredging. Your tax adviser will claim these for you, if they apply.

If you buy on hire purchase, you can claim capital allowances on the original cost of the item; the interest or other charges count as business expenses and should be deducted at box 3.48.

You cannot claim for anything you have bought solely for private use, or the cost of the land even if it is used for your business.

You should complete boxes 3.61 to 3.70 in **each** set of Self-employment Pages you complete. This is because separate capital allowances calculations are required for each of your accounting periods. If you are not sure what to include, ask the Orderline for *Help Sheet IR222: How to calculate your taxable profits.*

The example on page SEN7 may help you (and there is more information in *Help Sheet IR222*).

Example 2

1. Joe starts up in business as a computer consultant on 1 July 1997. He decides to draw up his accounts to 31 December each year. His first accounts are for the 6 months to 31 December 1997. When he starts up in business he buys computer equipment for £2,000 and a Vauxhall car for £6,000. The computer equipment goes into the general 'pool' of expenditure and the car goes into the 'car pool' (cars have to be kept separate). He also transfers his Renault car into the business. When it is transferred its market value is £4,000. He uses the Renault privately as well as for business and estimates that 50% of the use is private. The capital allowances on the Renault have to be calculated separately (from the Vauxhall) because it will be used privately.
2. The capital allowances which are given each year are writing down allowances (WDAs) unless first year allowance (FYA) is available. The writing down allowances (WDAs) on the Renault are restricted to allow for the private use but it is the full WDA which is deducted in arriving at the written down value (WDV) to carry forward.
3. In the year ended 31 December 1999, Joe buys a new computer and printer on 1 June 1999, for £6,250, and sells his old printer for £100. The new computer and printer qualify for an allowance called a first year allowance (FYA) at the rate of 40%. First year allowance is only available in the year in which an asset is purchased.
4. Joe decides to retire to Spain and closes down the business on 31 July 2000. He sells the computer equipment for £4,800. He keeps the Vauxhall, which has a market value of £2000, and scraps the Renault. Since the business has ceased there are no WDAs but a balancing charge or balancing allowance has to be calculated for each pool. There is a balancing charge if the disposal value is more than the WDV brought forward. If it is less, there is a balancing allowance.

	General pool	Car pool	Renault	Allowances due
Accounting period ended 31 December 1997				
Additions	£2,000	£6,000	£4,000	
WDA @ 25% x 6/12	250	750	500 x 50% (private use) = £250	£1,250
WDV carried forward	1,750	5,250	3,500	
Accounting period ended 31 December 1998				
WDA @ 25%	438	1,313	875 x 50% (private use) = £438	£2,189
	1,312	3,937	2,625	
Accounting period ended 31 December 1999				
Sales	100			
expenditure qualifying for WDA	1,212			
additions qualifying for FYA	6,250			
WDA @ 25% of 1,212	303	985	656 x 50% (private use) = £328	
FYA @ 40% of 6,250	2,500			£4,116
WDV carried forward	4,659	2,952	1,969	
(1,212 *minus* 303 + 6,250 *minus* 2,500)				
Accounting period ended 31 July 2000				
Disposals	4,800	2,000	nil	
balancing charge	141			
(4,800 *minus* 4,659)				
balancing allowance		952	1,969 x 50% (private use) = £985	£1,796
				(952 + 985 *minus* 141)

Adjustments to arrive at taxable profit or loss

You should only calculate your taxable profit or loss for 1999-2000 once, even if you are providing details from more than one set of accounts for this year. Use the '**Adjustments to arrive at taxable profit or loss**' section in the set of Self-employment Pages for your most recent set of accounts. If you carried on the business in partnership during any part of your basis period, do not complete boxes 3.71 to 3.91 in the Self-employment Pages, but instead complete boxes 4.1 to 4.25 in the Partnership Pages.

boxes 3.71 and 3.72 Enter the dates your basis period for 1999-2000 begins and ends in boxes 3.71 and 3.72. Basis period is explained on page SEN3.

box 3.72A If you are unable to complete the income and expenses section of these Pages because it is impossible to prepare the figures to arrive at your taxable profit before the latest date for sending your Tax Return, tick box 3.72A and provide an estimate of your taxable profit in box 3.88. Read the notes on page 27 of your Tax Return Guide and then tick box 22.3 on page 8 of your Tax Return, explaining in the 'Additional information' box why you cannot provide final figures. Give a date by which you expect to be able to do so.

box 3.72B If you are a foster carer or adult carer, **or** you carry on a trade or profession wholly overseas you may only need to fill in a limited number of boxes in the Self-employment Pages. Check the notes on particular trades etc. on page SEN10 to see if this applies to you. If it does, tick box 3.72B to indicate why you have left some sections blank.

boxes 3.73 and 3.74 Copy your profit or loss from box 3.13 or box 3.60, whichever is appropriate, to box 3.73 (enter a loss in brackets). If you ticked box 3.5A, enter '0' in box 3.73 and include the appropriate amount of any profit returned last year in your entry in box 3.74.

If your basis period is not the same as the period covered by your accounts, calculate the profit or loss of the basis period by adding together and/or dividing the profits or losses of the periods for which you have accounts. Enter in box 3.74 any amount that needs to be added to, or deducted from, the figure in box 3.73. *Help Sheet IR222: How to calculate your taxable profits* explains how to calculate the adjustment.

If the adjustment means you have to deduct a figure at box 3.74, enter the figure in brackets and remember to subtract it in arriving at your total taxable profits.

- Overlap relief

boxes 3.75 to 3.77

Overlap profit and relief

If your annual accounting date is a date other than 5 April then overlaps in your basis periods may occur:

- in the first three years after your business starts up, **or**
- in a year in which there is a change of accounting date.

You may be able to claim overlap relief for the profit (the overlap profit) which arises in any overlap period.

Overlap relief may be due for 1999-2000 if:

- you closed down or sold your business in 1999-2000, **or**
- you changed your accounting date in 1999-2000 and your basis period, as shown in boxes 3.71 and 3.72, exceeds 12 months.

Enter in box 3.75 any unused overlap profit (including any unused transitional overlap profit) brought forward from 1998-99; in box 3.76 any overlap profit used in 1999-2000; and in box 3.77 any unused overlap profit carried forward to 2000-2001.

Ask the Orderline for *Help Sheet IR222: How to calculate your taxable profits* which explains how to calculate overlap profits and how to claim overlap relief.

box 3.78 If you are a farmer or market gardener, you may be able to claim to average two years' profits. Ask the Orderline for *Help Sheet IR224: Farmers and market gardeners*, which explains this. The amount of the adjustment to enter here is the amount by which the profit for the higher of the two years is reduced by the claim. This entry does not change the amount of any loss to include in box 3.80.

box 3.78A If you are carrying on a profession or vocation and have previously used a 'cash' or 'conventional' basis to calculate your profits, enter in box 3.78A the amount of the 'adjustment' which is charged to tax this year and see the note 'Professions and vocations on a 'cash' basis' on page SEN10.

boxes 3.79 and 3.80 If box 3.73 and the adjustments in boxes 3.74 and 3.76 result in a profit and you have not claimed farmers' averaging (box 3.78) or made a special adjustment for the change in accounting for professions or vocations on a cash basis (box 3.78A), enter the profit in box 3.79 and '0' in box 3.80. If you have made an entry in either box 3.78 or 3.78A, adjust the profit by that amount and enter the resulting figure in box 3.79 and '0' in box 3.80.

If box 3.73 and the adjustment in boxes 3.74 and 3.76 result in a loss, enter this figure in box 3.80 and '0' in box 3.79 unless you have claimed farmers' averaging (box 3.78) or made a special adjustment for the change in accounting for professions and vocations on a cash basis (box 3.78A). If you have made an entry in either box 3.78 or 3.78A, enter this figure in box 3.79 (and the loss in box 3.80).

If you have made a loss, you may be able to claim tax relief for your loss. If you want information on losses, ask the Orderline for *Help Sheet IR227: Losses*.

Time limits: Some loss claims must be made by 31 January 2002. You should ensure that any claims you may wish to make are made within the time limit prescribed. Late claims cannot normally be accepted.

box 3.81 If you wish to offset your 1999-2000 loss against other income of 1999-2000, enter the amount you are claiming to offset in box 3.81 (also see *Help Sheet IR227: Losses*).

box 3.82 If you want to offset the 1999-2000 loss against income of an earlier year, enter the amount of the loss in box 3.82. If you have already claimed to offset this loss, you should still include it in box 3.82, and provide details in the 'Additional information' box on Page SE4.

box 3.83 Enter in box 3.83 any losses sustained in 1999-2000 that you claim to carry forward against later profits (where your business is subsequently transferred to a company in exchange for shares in that company you may be able to set unused losses carried forward against income from the company - see the note for box 15.11 on page 22 of your Tax Return Guide).

boxes 3.84 and 3.85 Enter in box 3.84 any losses sustained in the same business in earlier years, which you claimed to carry forward against later profits, and have not already used.

You can use that loss to offset any profit shown at box 3.79. Enter in box 3.85 the amount you are deducting up to the figure in box 3.79.

box 3.87 Enter any amounts not included elsewhere in the Self-employment Pages but which were received in the year to 5 April 2000 and which are needed to calculate your taxable profits, for example:

- Business Start-Up Allowance (sometimes called Enterprise Allowance)
- taxable New Deal payments
- reverse premiums - these are payments or benefits which are received as an inducement to take a lease of any property other than your only or main residence. If the leased property is to be occupied for your trade, profession or vocation, the reverse premium will be a taxable receipt of your business. If you have any doubt about the proper tax treatment of a reverse premium, or indeed any receipt, ask your Inland Revenue office or tax adviser.

box 3.88 Enter the total of boxes 3.86 and 3.87.

National Insurance Contributions

Self-employed people are generally liable for the flat-rate Class 2 contributions and may be liable to pay the profit-related Class 4 contributions (see the section on Class 4 contributions). Class 2 contributions give entitlement to certain contributory benefits including retirement pension, maternity allowance and incapacity benefit. Benefit may be lost if Class 2 contributions are not paid or are paid late. If you have not already registered as self-employed for National Insurance Contributions you can obtain more information about paying by ringing the Self Employment Services Call Centre on 0845 9154655, or by writing to the Inland Revenue National Insurance Contributions Office at:

Self Employment Services,
Customer Account Section,
Longbenton,
NE98 1ZZ.

Please have your National Insurance number available when ringing the Call Centre and include it in any correspondence with Self Employment Services.

Class 4 National Insurance Contributions

Self-employed people must pay Class 4 contributions on profits from any trade, profession or vocation unless they are 'excepted'. The contributions are a percentage of taxable profits for the tax year between lower (£7,530) and upper (£26,000) profit limits.

box 3.89 You are excepted from paying Class 4 contributions for 1999-2000 if you are:

- a man aged 65 or over, or a woman aged 60 or over, at 6 April 1999 (this includes a person whose birthday fell on 6 April 1999), **or**
- aged under 16 on 6 April 1999 and if the Inland Revenue National Insurance Contributions Office has granted you 'exception' (to apply for exception ask for form CA2835U, available from the Inland Revenue National Insurance Contributions Office), **or**
- not resident in the UK for tax purposes during 1999-2000 (contact your Inland Revenue office or tax adviser if you do not know whether this applies to you).

It is possible for certain other people to be excepted from paying Class 4 contributions. If you require further information, please contact the Inland Revenue National Insurance Contributions Office. If you think you may be excepted because you are:

- a trustee, **or**
- a diver or diving supervisor,

you should ask your Inland Revenue office or tax adviser.

Sometimes, where both Class 1 and Class 4 contributions could be due, Class 4 contributions may not be payable. In these circumstances the Inland Revenue National Insurance Contributions Office may agree that your Class 4 contributions may be 'deferred' until such time as your overall contributions can be determined. Only the Inland Revenue National Insurance Contributions Office can agree to deferment. Leaflet CA72, available from the Inland Revenue National Insurance Contributions Office, gives further details.

If you are excepted or your contributions are deferred:

- tick box 3.89, **and**
- leave boxes 3.90 and 3.91 blank, **and**
- explain in the 'Additional information' box that you are excepted or deferred, and give the reason.

boxes 3.90 to 3.91 **If you have one business,** use the Working Sheet below to work out the figures to go in boxes 3.90 and 3.91.

If you have more than one business, do not use the Working Sheet. Instead, ask the Orderline for *Help Sheet IR220: More than one business.*

Working Sheet for Class 4 NICs (one business only)

Taxable profit for 1999-2000	A	£ (from box 3.88)
Adjustments to profits chargeable to NICs (see notes* below)	B	£ (copy to box 3.90)
Profit for NICs	C	£ (box A *minus* box B)
Exempt threshold	D	£ 7,530
Amount chargeable (maximum £18,470 in box E)	E	£ (box C *minus* box D)
Class 4 NIC due (maximum £1,108 in box F)	F	£ (box E x 6%)

If you do **not** want to calculate your tax, you do not have to complete box F or copy the figure to box 3.91. I will do it for you.

* **The cash basis 'adjustment'** (see the 'Professions and vocations on a 'cash' basis' note on page SEN10) is not taken into account for Class 4 NICs, so in box B you should deduct the amount of the 'adjustment' which is charged to tax in 1999-2000 and which you entered in box 3.78A.

* **Trading losses** of this business from 1998-99 and earlier years that have not yet been set against profits chargeable to Class 4 NIC, may be brought forward and set against the Class 4 profits of the same business for 1999-2000. (This is because losses that are allowable for tax are also treated as losses arising for the purposes of Class 4 NIC. They may be allowed for Class 4 in the same ways as losses are allowed for tax.)

* **Interest** can be deducted in calculating Class 4 profits if it was incurred for the purposes of your business but has not been deducted in arriving at your taxable profits. Include

- any such interest from 1998-99 and earlier years that has not been set against previous Class 4 profits
- any such interest paid in 1999-2000.

* **Losses** arising from Furnished Holiday Lettings are not allowable for Class 4 NIC purposes.

Subcontractors in the construction industry

box 3.92 If you are a subcontractor in the building industry, you may have received some payments under the Construction Industry Tax Deduction Scheme or the new Construction Industry Scheme. If you have, enter in box 3.92 the total of the deductions made on account of tax from payments made to you during the period 6 April 1999 to 5 April 2000.

The tax deductions should be shown on SC60s up to 31 July 1999, and on CIS25s for payments after that date, which you should have received from the contractors for whom you worked, and **these forms should be sent with your Tax Return**. If you have not received SC60s/CIS25s, ask the contractor(s) you worked for to provide them. If you cannot get an SC60 or a CIS25, please give the following details in the 'Additional information' box on Page SE4:

- name and address of the contractor
- month payment(s) were made to you
- amount of the gross payment
- amount of tax deducted.

If you were given a CIS25 for payment(s) on or after 1 August 1999, but you have lost your copy, ask the contractor to give you a photocopy of their copy of the CIS25, and send that with your Tax Return.

If you have already claimed repayments of SC60/CIS25 deductions during the year, still enter the total amount of SC60/CIS25 deductions for the year in box 3.92 and send any outstanding SC60s/CIS25s for the year with your Tax Return. Please enter in box 17.1, on page 7 of your Tax Return, the amount of any refund of SC60/CIS25 deductions, or any SC60/CIS25 deductions set against other liabilities.

Summary of balance sheet

boxes 3.93 to 3.109 If you have accounts, and they include a balance sheet, copy the entries to the appropriate boxes. If you do not have a balance sheet, or your turnover was less than £15,000, leave these boxes blank.

Make sure that you have transferred all the figures to the summary, and that each is included **once** only. Do not include any figures not appearing in your balance sheet.

You should use your judgement to transfer the figures from your accounts to the most appropriate boxes. Depending on the circumstances of your business, certain elements in the balance sheet may appear either as assets or as liabilities. For example, a bank account with business funds in it will be an asset while an overdrawn account will be a liability. For the former, enter the balance in box 3.97. For the latter, enter the balance in box 3.101.

Other elements that might be affected in this way are most commonly the Capital Account balances and the net profit or loss. **Where a balance on the Capital Account is overdrawn, or the business made a net loss in the year, you should enter the amount in brackets.**

The figure of net profit or loss appearing in your balance sheet should be the same as that entered in box 3.52 for the same period.

The figure for net business assets (box 3.104) should be the same as the figure for the balance of your Capital Account at the end of the period (box 3.109).

Tax deducted from trading income

box 3.120 Enter in box 3.120 any tax deducted from trading income (excluding deductions made by contractors on account of tax) between 6 April 1999 and 5 April 2000.

Tax deducted under PAYE should not normally be included here (it should go on your Employment Pages) and if PAYE has been deducted from any income included in your turnover figure, you should contact your Inland Revenue office before completing box 3.120.

Particular trades etc.

Authors and artists

There are various reliefs available to authors and artists who may find that the pattern of their profits is irregular. These reliefs even out the profits by spreading receipts over several years. Your Inland Revenue office or tax adviser will be able to provide details.

If you claim 'backwards spreading', enter the reduction in your profits for this year in box 3.58, tick box 22.5 on page 8 of your Tax Return and give details in the 'Additional information' box on that page of the amount spread back to last year and, if appropriate, the year before.

If you claim 'forwards spreading' of sums receivable this year, enter the reduction in your profits in box 3.58. Additions to your profits for this year as a result of forwards spreading claims made in previous years should be made in box 3.54. Give details in the 'Additional information' box on Page SE4.

Farmers and market gardeners

You will need *Help Sheet IR224: Farmers and market gardeners* from the Orderline which explains:

- the special rules for averaging profits over two years in some circumstances
- the herd basis for calculating profits which can be used by production livestock farmers
- capital allowances on agricultural buildings and works.

Methods of farm stock valuation acceptable to the Inland Revenue are explained in *Help Sheet IR232: Farm stock valuation.*

Foster carers and adult carers

If you have an arrangement with your Inland Revenue office for calculating your taxable profit, complete the following boxes in the Self-employment Pages (leaving the rest blank):

- boxes 3.1 to 3.10
- box 3.88 to show your profits
- boxes 3.89 to 3.91 for your Class 4 NIC,

unless your Inland Revenue office has told you otherwise.

Professions and vocations on a 'cash' basis

If you are carrying on a profession or vocation you may have used a 'cash' or 'conventional' basis to calculate your profits last year. Examples are:

- bringing in receipts only when received, and/or expenses only when paid, so that there are no debtors and/or creditors
- bringing in receipts only when bills have been issued, rather than when the work has been completed
- not bringing in anything on account of work in progress.

If you calculated your profits this way last year then you can use the same method this year, but (apart from certain barristers and advocates, see page SEN11):

- this is the last year you can do so, **and**
- you will have to work out a special 'adjustment' this year which (if positive) will be charged to tax by instalments for this year and the nine following years (you will not have to do this if your only accounting period this year ends on 5 April 2000).

Help Sheet IR233: The 'true and fair view' for professions and the 'adjustment' on withdrawal of cash basis tells you more about the true and fair view basis on which you must work out your profits for future years. You will need to understand this basis in order to work out the adjustment. It tells you how to work out the adjustment and the amount which is charged to tax for this year.

Once you have worked out these figures:

- if the adjustment is positive, enter in box 3.78A the amount which is charged to tax this year
- if the adjustment is negative, include the whole amount as part of 'other expenses' in box 3.50. If the adjustment is negative there will be no effect on future years.

Barristers and advocates in early years of practice

If you are a barrister (advocate in Scotland) starting in practice you can work out your profits on a cash basis, or on the basis of fee notes delivered. Whatever basis you choose you must stick to until you change to a 'true and fair view' basis. You can continue to use such a basis for any accounting period ending **not later than seven years after the date you started in practice**. The date you start in practice is the date you first hold yourself out as available for fee-earning work. Once you have started in practice the seven year period continues to run even if you take a break from practice.

At the end of the last accounting period for which you are permitted to use a cash basis or fee notes delivered basis you must work out the 'adjustment' as described above. Your profits for all subsequent periods must be worked out on a 'true and fair view' basis.

There is more information on the taxation of barristers and advocates in guidance notes issued by the Bar Council of England and Wales, the Faculty of Advocates and the Northern Ireland Bar Library.

Trades and professions wholly carried on abroad

If you carry on a trade or profession wholly overseas you will still need to complete these Pages. But in certain circumstances you may only be taxed on remittances you make to the UK. Ask the Orderline for the Non-residence etc. Pages if you think the remittance basis might apply to you. If it does, you need only complete the following boxes, where relevant, in the Self-employment Pages (leaving the rest blank):

- boxes 3.1 to 3.10
- boxes 3.71 and 3.72 to show your basis period
- box 3.72B
- box 3.88, **and**
- tick box 3.89.

If you paid foreign tax on the profits of this trade and wish to claim credit against your UK tax liability, ask the Orderline for the Foreign Pages.

Glossary

Balancing charges Withdrawal of some or all of the capital allowances previously given. They arise when fixed assets stop being used in your business.

Basis period The period used to identify the profits taxable in any particular tax year.

Capital allowances Allowances against tax for the cost of certain fixed assets.

First year allowance A first year allowance is a capital allowance at a rate higher than the normal writing down allowance. It is given for the year in which an asset is acquired and is given instead of a writing down allowance.

Fixed assets Assets such as buildings, plant and machinery, vehicles, etc. which you use in the business but do not buy and sell as part of your ordinary trading operations. For example, if you are a plumber, your van and your tools are fixed assets but your pipes, boilers, etc. are not (they are stock). The cost of buying fixed assets is called capital expenditure.

Overlap profit and overlap relief Overlap profits arise when basis periods overlap so that the same profits are taxable in two different tax years. Overlap relief deducts the overlap profits in a later tax year so that over the life of your business you do not pay tax on more profits than you earn.

Stock Raw materials used in your business and goods bought for resale, which you have on hand.

Trade Any commercial operation supplying goods or services to a customer for profits is likely to be regarded as a trade. If you are in doubt whether you carried on a trade, profession or vocation during 1999-2000, you should ask your Inland Revenue office or tax adviser.

Trade creditors Money you owe other businesses for goods or services you have received, but which remain unpaid at your accounting date.

Trade debtors Money you are owed for goods you have sold or work you have done that is included in turnover, but remains unpaid at your accounting date.

Turnover is all the money earned by your business before deducting any business expenses. It includes receipts in cash or in kind for goods sold or work done, commission, fees receivable, tips, insurance proceeds for stock and loss of profits, etc. But it does not include Business Start-Up Allowance (or Enterprise Allowance) which should be included separately in box 3.87. Also, do not include amounts received from the sale of capital items, that is, assets which are of lasting use to the business, such as business premises, plant, machinery and vehicles.

Turnover should be included in your accounts when it is earned, even if you do not receive the money until later. Amounts you have earned but not received by the accounting date - your trade debtors - should therefore be counted as turnover. This will include goods you had delivered or services you had completed by the accounting date, even if you had not issued a bill by then. But make sure you do not count money you received which was included as turnover in an earlier period when it was earned.

Work-in-progress Partially manufactured stock you have on hand, or partially completed work on contracts under which you provide your service.

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.